



Employee 401(a)

SDRS Special Pay Plan Highlights

Plan introduction

The SDRS Special Pay Plan (SDRS-SPP) is an additional retirement plan funded by an eligible employee's special pay (termination pay) which is compensation other than regular salary or wages accumulated by an employee and converted to a lump-sum amount at termination of employment.

Special pay may include unused annual leave, unused sick leave or other lump sum special pay that is eligible for contribution into the SDRS-SPP.

An eligible employer's non-elective contributions of special pay to the SDRS-SPP are excludable from an eligible employee's gross wages for purposes of Social Security (FICA) withholding and SDRS contributions.

Also, the SDRS-SPP is designed to offer an additional tax-deferred investment option to eligible employees by delaying income taxation on contributions and earnings until they are withdrawn from the Plan.

Eligibility

Each of the following provisions must apply in order to be eligible.

1. Employees of the State of South Dakota, Board of Regents or other employers who have elected to participate.

2. Employees who are age 55 or have reached the first day of the calendar month prior to their 55th birthday.
3. Employees who are receiving special pay of \$600 or more.

Plan costs

The on-going costs of providing the SDRS-offered benefit are paid by those who participate in the Plan. There is no cost to you for the first 12 months you have the account open - this cost is paid by your employer. Beginning in the second year, you will be responsible for a cost of 0.26% annually. If you were a participant in the Plan prior to July 1, 2007, your fee structure may be different.

These fees are in addition to the internal expense charges/management fees assessed by the companies providing investment options under the SDRS-SPP.

Maximum deferral amount

Contributions to the SDRS-SPP are subject to Internal Revenue Code Section 415 limits and cannot exceed the lesser of 100% of the employee's special pay or \$45,000 (indexed for 2007). In addition, an employee can still defer the maximum allowable to the SDRS Supplemental Retirement Plan.

The employer's special pay contribution to the SDRS-SPP would not be included in an employee's gross income, so the contribution and any income or earnings would not be subject to federal income tax until distributed from the Plan.



Maximum deferral amount (continued)

If your special pay is more than \$45,000 for 2007, you may be able to defer a portion of this amount into the SDRS Supplemental Retirement Plan. Please contact the Plan Administrator at 605-224-2230 to determine if you are eligible for that option.

Plan features

- ☐ Special pay contributed to the Plan as a nonelective employer contribution is forever excluded from an employee's gross wages for Social Security (FICA) withholding purposes and SDRS contributions.
- ☐ The contributions and any earnings will have the opportunity to grow tax-deferred until they are distributed from the Plan.
- ☐ SDRS-SPP provides a variety of investment options and benefit payment choices.
- ☐ Contributions do not reduce the SRP Plan (457) contribution limits.
- ☐ Plan participants are immediately vested.
- ☐ Service Representatives are available by phone to assist you with account changes.
- ☐ Participants receive quarterly statements, newsletters and investment performance reports.
- ☐ Twenty-four hour SDRS-SPP account access is available through the SRP Web site at SRP457.com or through the voice response system at 800-959-4457.

Payout options

Plan participants are vested in the SDRS-SPP as soon as the employer transmits the funds to the SDRS-SPP, and are eligible for an immediate distribution from the Plan upon written request at age 55. All distributions from the SDRS-SPP are subject to federal income tax withholding unless they are rolled into another eligible retirement plan or IRA. Distributions will be taxed as ordinary income. The available distribution options are:

- ☐ Lump-sum withdrawal
- ☐ Partial lump-sum withdrawals
- ☐ Fixed-dollar amount
- ☐ Fixed-period payment
- ☐ Annuity payout options*
- ☐ Rollover to another eligible retirement plan or IRA

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To request a SDRS-SPP distribution form, contact the Plan Administrator's office at 605-224-2230.

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For more information you can contact our Pierre Office at:

***SDRS Special Pay Plan
207 E. Capital Ave
Pierre, SD 57501
 605-224-2230***

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* Annuities are issued only by Prudential Life Insurance Company, 751 Broad St., Newark, NJ 07102

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